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Title:

Radio broadcast - Federal budget

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MONDAY, 13th July, 1959

Good Evening. Recent revelations that the Federal Treasury is in the region of some £70 millions better of now than it was estimated it would be at the time of the last budget, should cause a number of people to think fairly hard about what was said at the time of the last Federal elections.

Since Lord Keynes' propositions in the 30's have become accepted as the rules by which an economy may be kept fairly buoyant through use of budgetary policy, it has become an axiom that when business activity was on the decline, and unemployment increasing, the thing for a Federal Treasurer to do was to budget for a deficit. That is, the Federal Treasury should spend more than it expected to get in revenue, and the usual way of bridging the gap was through Treasury bills. The idea is simple - if you have too little money chasing too many goods, you pump a bit more money into the economy so that people wanting goods will be able to buy them. This increases business activity, takes up the slack of employment and because of the increase in activity, incidentally increases Federal revenue.

Because Australia is expanding steadily, the Federal Treasurer can also count on the fact that a steady expansion will return to the Federal Treasury every year on increased revenue at existing rates of tax ation.

Now at the time of the last Federal election the Labor Party proposed reasonable increases in social services to meet the needs of families the poor, the sick and the needy. It proposed to finance what was a programme on social services modest by comparison with those in other comparable countries by (a) An increased budget deficit - this was proper in the circumstances, as there had been a decline in business activity and unemployment was on the increase. Economists in Australia widely held the view that the country could increase its public spending through a budget deficit of greater proportions than was suggested by Labor without inflation. (b) By an allocation of existing expenditure - the Public Accounts Committee had shown that under Menzies there had been gross and indefensible waste in the monies noted for defence purposes and many millions could have been saved there.

By the expected expansion of Commonwealth revenues, which would be

increased by pumping more money into the economy. The fact that an increase was of the dimension of scores of millions without the increase of money in the economy which Labor proposed, amply justifies Labor's explanation of the way in which its modest proposals could be financed.

But at the time we heard from Mr. Menzies and his followers an outpouring of scorn and derision of the Labor proposals. They said that the money could not be found without an increase in taxation such as was forced on the New Zealand Labor Government and that it would ruin the country - we would be faced with galloping inflation - you remember these phrases.

Well now that they have been proved false prophets by their own budget figures - its only fair to ask just what was their game? Why do they refuse to increase social services and indeed why do they decrease the value of social services - for as I shall show you that is what they have done. Why do they tell falsehoods - and I use the kindly word - about accepted methods of public finance and seek to persuade the people that we must balance our budgets - something they don't do themselves anyway.

Well you see they believe in considerable disparities in income. They believe that company profits and property profits should be unlimited, and that although great disparities in personal wealth will result, it is wrong of the State to use taxation to redistribute income so that the poor and the sick and the needy are cared for - they prefer to leave these obligations to the whimsies of private charity. They don't say this - but their actions speak for themselves. Let's have a look at what has happened to social services since they took office.

- (1) Child endowment. On taking office the Menzies Government provided 5/- for the first child and continued ~~with~~ other child endowment payments at existing rates. Despite the fact that since that time the value of money under their policies has declined to about one third of its 1949 value, the Government has not altered child endowment. It has, however, given substantial remissions in company taxation.
- (2) The Menzies Government brought to an end the service of four public hospitals in force when they took office by providing that if State

Governments wanted extra payment for patients in public hospitals made necessary by inflation, the States must introduce charges in public hospitals.

3. Unemployment payments have been put at below subsistence level under Menzies. They have not been kept to the ration to the basic wage operative under Labor Government.
4. Age and invalid pensions have not been kept to the 1949 proportion of the basis wage.
5. When war widows pensions have been increased, the State child welfare grant under Playford has been decreased, so that these pensions have not been kept to their 1949 real value,

I could go on and on. Now in an expanding economy, in which it is inevitable that in the absence of the complete collapse of markets overseas for our primary products our national income per head will get steadily greater, it is only natural to suppose that our social services will increase. This is only just, and it is sound economics too because it keeps demand high. But what has happened is that the Government has in effect during this period of national expansion steadily decreased social services and given remissions on higher levels of taxation. They have redistributed income not from the rich to the poor, but from the poor to the rich. They have taken from the have-nots to give to the haves. But they don't like us to know about it - so you won't read about what I have been telling you tonight in your morning paper.